

**REPORT OF THE AUDIT OF THE
MARION COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary,
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable David R. Hourigan, Marion County Judge/Executive
Honorable Samuel Edward Lee, III, Marion County Clerk
Members of the Marion County Fiscal Court

The enclosed report prepared by Potter & Company, LLP, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Marion County, Kentucky, for the year ended December 31, 2001.

We engaged Potter & Company, LLP to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLP evaluated the Marion County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY
CLERK**

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT**

Calendar Year 2001

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARION COUNTY CLERK

Calendar Year 2001

Potter & Company, LLP has completed the Marion County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$2,351 from the prior calendar year, resulting in excess fees of \$56,713 as of December 31, 2001. Revenues increased by \$164,599 from the prior year and disbursements increased by \$166,950.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

**MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK**

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INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary,

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Honorable Samuel Edward Lee, III, Marion County Clerk

Members of the Marion County Fiscal Court

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Marion County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Potter & Company, LLP

POTTER & COMPANY, LLP

May 31, 2002

MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES
Calendar Year 2001

Receipts

State Fees for Services		\$	7,901	
Fiscal Court			7,889	
Licenses and Taxes:				
Motor Vehicle -				
Licenses and Transfers	\$	402,533		
Usage Tax		930,969		
Tangible Personal Property Tax		941,409		
Licenses -				
Fish and Game		2,584		
Marriage		5,589		
Occupational Licenses		9,516		
Beer and Liquor Licenses		60		
Deed Transfer Tax		33,071		
Delinquent Tax		<u>86,443</u>	2,412,174	
Fees Collected for Services:				
Recording -				
Deeds, Easements, and Contracts		13,163		
Real Estate Mortgages		34,273		
Chattel Mortgages and Financing Statements		51,609		
Powers of Attorney		1,194		
All Other Recordings		22,905		
Charges for Other Services -				
Candidate Filing Fees		1,380		
Copywork		4,430		
Postage		<u>158</u>	129,112	
Other:				
Refunds/Misc/Corrections		10,333		
Return Checks		<u>3,833</u>	14,166	
Interest Earned			<u>1,914</u>	
Gross Receipts				\$ <u>2,573,156</u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES (CONTINUED)
Calendar Year 2001

Disbursements

Payments to State:

Motor Vehicle -

Licenses and Transfers \$ 312,969

Usage Tax 903,036

Tangible Personal Property Tax 352,456

Licenses, Taxes, and Fees -

Fish and Game 3,019

Delinquent Tax 12,931

Legal Process Tax 16,705

Candidate Filing Fees 540 \$ 1,601,656

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 76,378

Delinquent Tax 7,961

Deed Transfer Tax 31,417

Occupational Licenses 7,681 123,437

Payments to Other Districts:

Tangible Personal Property Tax \$ 470,969

Delinquent Tax 44,019 514,988

Payments to Sheriff

1,279

Payments to County Attorney

12,668

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies' Salaries \$ 132,686

Part-Time Salaries 2,400

Employee Benefits -

Employer's Share of Social Security 14,418

Employer's Paid Health Insurance 17,391

Contracted Services -

Printing and Binding 4,709

Other Charges -

Conventions and Travel 4,755

Dues 450

Postage 4,648

Refunds 9,507

Miscellaneous 338

Uncollected Returned Checks 4,018 195,320

Total Disbursements

\$ 2,449,348

The accompanying notes are an integral part of the financial statement.

MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND EXCESS FEES (CONTINUED)
Calendar Year 2001

Net Receipts		\$	123,808
Statutory Maximum	\$	(61,306)	
Clerk's Training Incentive		<u>(2,189)</u>	<u>(63,495)</u>
Excess Fees			60,313
Expense Allowance			<u>(3,600)</u>
Excess Fees Due County for Calendar Year 2001			56,713
Payments to County Treasurer			<u>(53,000)</u>
Balance Due At Completion of Audit		\$	<u><u>3,713</u></u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting:

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

Basis of Accounting:

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

Cash and Investments:

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.00 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

MARION COUNTY, KENTUCKY
SAMUEL EDWARD LEE, III, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
December 31, 2001

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements have been met, and as of December 31, 2001, the County Clerk's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which names the County Clerk as beneficiary/obligee on the bond.

NOTE 4 - GRANT

In calendar year 2000, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$21,936 and earned interest on these grant funds totaling \$234. No funds were expended during calendar year 2000 leaving an unexpended grant balance of \$ \$22,170 as of December 31, 2000. During calendar year 2001, an additional \$412 of interest was earned and no funds were expended, bringing the grant balance to \$22,582 as of December 31, 2001.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the People of Kentucky

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Members of the Marion County Fiscal Court

We have audited the statement of receipts, disbursements, and excess fees of the Marion County Clerk for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marion County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Auditor of Public Accounts and is not intended to be and should not be used by anyone other than the specified parties.



POTTER & COMPANY, LLP

May 31, 2002

